

PART III: Prepayment of Consumer Credit Transactions

§3531. Right to prepay

A. Notwithstanding any contrary provision of a consumer credit transaction, the consumer may prepay in full the unpaid balance at any time. An extender of credit may within its discretion accept the amount tendered by the consumer to be a prepayment in full of a simple interest loan if the amount tendered is within one dollar, or to the extent provided by federal law, more or less, of the amount actually owed. Under such circumstances, the extender of credit may retain any excess amount tendered by the consumer provided that the amount tendered does not exceed the amount actually owed by more than one dollar, or to the extent provided by federal law.

B.(1) The extender of credit shall provide the consumer, within five days of the date a written request is received from the consumer, with the amount necessary to prepay the account in full; and if the amount disclosed includes an amount which is required to be refunded under this Section with respect to such prepayment, the amount of such refund.

(2) A consumer shall be entitled to receive one such disclosure of information statement each year without charge. Thereafter, the extender of credit may impose a reasonable fee to cover the cost of providing an additional disclosure statement; however, the charge imposed must be disclosed to the consumer before furnishing such disclosure statement.

§3532. Rebate upon prepayment

A. Upon prepayment in full of a precomputed consumer credit transaction, the extender of credit shall refund unearned loan finance charges or credit service charges and such refund shall represent at least as great a proportion of the loan finance charge or credit service charge after first deducting from such charge a prepayment charge of not more than twenty-five dollars as the sum of the monthly time balances beginning one month after the month in which prepayment is made, bears to the sum of all the monthly time balances under the schedule of payments in the contract; this method of rebate upon prepayment is commonly referred to as the "Rule of 78's" or the "Sum of Digits" rebate method. If more than one-half of the term of the installment contract has elapsed, the rebate shall be computed without deducting a prepayment charge. For the purposes of rebate upon prepayment, deferral charges are not required to be rebated. No rebate less than one dollar, or to the extent provided for by federal law is required.

B. (1) There is no requirement that prepaid finance charges be rebated upon prepayment in full of a simple interest transaction prior to maturity, provided that all of the following conditions are satisfied:

(a) The original amount financed under the transaction was ten thousand dollars or more.

(b) The original scheduled term of the transaction was thirty-six months or longer.

(c) Prepaid finance charges assessed under the transaction did not exceed five percent of the original amount financed or amount deferred.

(2) Where any one or more of the foregoing conditions are not satisfied, prepaid finance charges shall be subject to rebate upon prepayment in full of a simple interest transaction under the same method in Subsection A of this Section.

C. Compliance with the provisions of this Section shall constitute compliance with the provisions of R.S. 9:3519.

§3532.1. Prepayment penalties in connection with simple interest real estate secured loans

A. As a condition of the consumer's being permitted to prepay a consumer loan secured by a mortgage on immovable property in full prior to the loan's maturity, an extender of credit may contract for and receive a prepayment penalty in an amount not to exceed:

(1) Five percent of the unpaid principal balance if the loan is prepaid in full during the first year of its term.

(2) Four percent of the unpaid principal balance if the loan is prepaid in full during the second year of its term.

(3) Three percent of the unpaid principal balance if the loan is prepaid in full during the third year of its term.

(4) Two percent of the unpaid principal balance if the loan is prepaid in full during the fourth year of its term.

(5) One percent of the unpaid principal balance if the loan is prepaid in full during the fifth year of its term.

B. No prepayment penalties shall be assessed if the loan is prepaid in full after the fifth year of its term. Prepayment penalties may be assessed under this Section only with respect to consumer real estate secured loans that bear simple interest, and that have an original principal balance of twenty-five thousand dollars or more, and that are payable over a term of seven years or longer.

§3533. Rebate after acceleration of maturity

Except as provided in R.S. 9:3527, if the maturity of a consumer credit transaction is accelerated for any reason and suit is filed, the obligation shall be credited with the same

rebate required under R.S. 9:3532(A) or (B), as applicable, as if prepayment in full had been made as of the date the maturity of the obligation is accelerated at the creditor's election, except that any credit life insurance and health and accident insurance in force at such time shall not be rebated until payment is made in full; thereafter the obligation sued upon shall be deemed to bear a loan finance charge or credit service charge on the amount due at the annualized rate previously agreed to by the consumer until the transaction is paid in full.